

becoming associated with a member if such person does not agree to supply the exchange with such information with respect to its dealings with the member as may be specified by the rules of the exchange and to permit the examination of its books and records to verify the accuracy of any information so supplied.

#### *B. Self-Regulatory Organization's Statement on Burden on Competition*

This proposed rule change does not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

#### *C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants or Others*

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any unsolicited written comments from members or other interested parties.

### **III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action**

Within 45 days of the date of publication of this notice in the **Federal Register** or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- (A) by order approve or disapprove the proposed rule change, or
- (B) institute proceedings to determine whether the proposed rule change should be disapproved.

### **IV. Solicitation of Comments**

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

#### *Electronic Comments*

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-ISE-2010-115 on the subject line.

#### *Paper Comments*

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE., Washington, DC 20549-1090.

All submissions should refer to File Number SR-ISE-2010-115. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for Web site viewing and printing in the Commission's Public Reference Room, 100 F Street, NE., Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m. Copies of such filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make publicly available. All submissions should refer to File Number SR-ISE-2010-115 and should be submitted on or before January 11, 2011.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>28</sup>

**Florence E. Harmon,**  
*Deputy Secretary.*

[FR Doc. 2010-31951 Filed 12-20-10; 8:45 am]

**BILLING CODE 8011-01-P**

## **SECURITIES AND EXCHANGE COMMISSION**

**[Release No. 34-63552; File No. SR-NYSEAmex-2010-120]**

### **Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by NYSE Amex LLC Establishing Strike Price Intervals of \$1 and Increasing Position and Exercise Limits With Respect to Options on the KBW Bank Index**

December 15, 2010.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup>

<sup>28</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

notice is hereby given that, on December 14, 2010, NYSE Amex LLC (the "Exchange" or "NYSE Amex") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

### **I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change**

The Exchange proposes to amend NYSE Amex Rules 903C and 904C with respect to options on the KBW Bank Index ("BKX" or "Index") to (i) establish strike price intervals of \$1.00 and (ii) increase the position and exercise limits applicable thereto. The text of the proposed rule change is available at the Exchange's principal office, on the Commission's Web site at <http://www.sec.gov>, at the Commission's Public Reference Room, and <http://www.nyse.com>.

### **II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

In its filing with the Commission, the Exchange included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of those statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

#### *A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change*

##### 1. Purpose

The purpose of the proposed rule change is to amend NYSE Amex Rules 903C and 904C with respect to options on BKX to (i) establish strike price intervals of \$1.00 and (ii) increase the position and exercise limits applicable thereto. The proposed change would provide investors with greater flexibility with respect to trading options on BKX, which the Exchange intends on listing pursuant to the generic listing standards of Amex Rule 903C, by allowing them to establish positions that are better tailored to meet their investment objectives.

### \$1 Strike Price Intervals

The Exchange proposes to list series of BKX at \$1.00 or greater strike price intervals, if the strike price is less than \$200, and to list at least two strike prices above and two strike prices below the current value of the Index at about the time a series is opened for trading on the Exchange.<sup>3</sup>

As proposed, additional series of BKX could be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand, or when the underlying Index moves substantially from the initial exercise price or prices. To the extent that any additional strike prices are listed by the Exchange, such additional strike prices would be within thirty percent (30%) above or below the closing value of the Index on the prior day. The Exchange could also open additional strike prices that are more than 30% above or below the current Index value provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate, or individual customers or their brokers. Market Makers trading for their own account would not be considered when determining customer interest under this provision. In addition to the initial listed series, the Exchange could list up to sixty (60) additional series per expiration month for each series on BKX. In all cases, however, \$1.00 strike price intervals could be listed on BKX only where the strike price is less than \$200.

As proposed, the Exchange could not list Long-Term Equity Anticipation Securities ("LEAPS") on BKX at intervals less than \$2.50.

The Exchange also proposes an additional delisting policy for BKX, whereby the Exchange would regularly review series that are outside a range of five (5) strikes above and five (5) strikes below the current value of BKX, and would be able to delist series with no open interest in both the put and the call series having a: (a) strike higher than the highest strike price with open interest in the put and/or call series for a given expiration month, and (b) strike lower than the lowest strike price with open interest in the put and/or call series for a given expiration month.

<sup>3</sup> The Exchange notes that similar proposals to list series of BKX at \$1.00 or greater strike price intervals have been previously approved by the Commission. See Securities Exchange Act Release No. 60840 (October 20, 2009), 74 FR 55593 (October 28, 2009) (SR-Phlx-2009-77). See also Securities Exchange Act Release No. 60896 (October 28, 2009), 74 FR 56906 (November 3, 2009) (SR-NYSEArca-2009-98).

The Exchange proposes that, notwithstanding the above delisting policy, customer requests to add strikes and/or maintain strikes in BKX eligible for delisting could be granted.

Accordingly, the Exchange proposes to include these proposed changes as new Commentary .07 to NYSE Amex Rule 903C.

With regard to the impact on system capacity, the Exchange has analyzed its capacity and represents that it and the Options Price Reporting Authority have the necessary systems capacity to handle the additional traffic associated with the listing and trading of an expanded number of series as proposed herein.

### Position and Exercise Limits

Under NYSE Amex Rule 904C(c), the highest position and exercise limit that a stock index industry group option such as BKX is permitted to have is 31,500 contracts. However, several other options exchanges currently list options on BKX and have expanded their position and exercise limit for options on BKX to 44,000 contracts.<sup>4</sup> The Exchange believes that it is important for a product like BKX, which is traded on multiple exchanges, to have uniform position and exercise limits in order to eliminate any confusion among investors and other market participants. Accordingly, the Exchange proposes to amend NYSE Amex Rule 904C(c) to similarly increase the position and exercise limits for options on BKX to 44,000 contracts.<sup>5</sup>

The Exchange also proposes a non-substantive change to move the reference to the Pauzé Tombstone Common Stock Index, and the position limit applicable thereto, to a more appropriate location within NYSE Amex Rule 904C(c).

### 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>6</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>7</sup> in particular, in that it is designed to prevent fraudulent and manipulative

<sup>4</sup> See Securities Exchange Act Release No. 49312 (February 24, 2004), 69 FR 9672 (March 1, 2004) (SR-Phlx-2004-13). See also Securities Exchange Act Release No. 55932 (June 20, 2007), 72 FR 35288 (June 27, 2007) (SR-NYSEArca-2007-54).

<sup>5</sup> The Exchange notes that, as provided under NYSE Amex Rule 905C(ii), the amount of stock index industry group options contracts that can be exercised pursuant to NYSE Amex Rule 905C is the same number of contracts established pursuant to NYSE Amex Rule 904C as the position limit for such options, and thus does not require that the text of NYSE Amex Rule 905C be amended to effect the change proposed herein.

<sup>6</sup> 15 U.S.C. 78f(b).

<sup>7</sup> 15 U.S.C. 78f(b)(5).

acts and practices, to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Specifically, the changes proposed herein would provide investors with greater flexibility to establish positions that are better tailored to meet their investment objectives while also eliminating potential confusion by aligning the Exchange's position and exercise limits with that of other options exchanges.

### B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

### C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

No written comments were solicited or received with respect to the proposed rule change.

### III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change does not significantly affect the protection of investors or the public interest, does not impose any significant burden on competition, and, by its terms, does not become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>8</sup> and Rule 19b-4(f)(6) thereunder.<sup>9</sup>

The Exchange has requested that the Commission waive the 30-day operative delay. The Commission believes that waiver of the operative delay is consistent with the protection of investors and the public interest because the proposal is substantially similar to that of another exchange that has been approved by the Commission.<sup>10</sup> Therefore, the

<sup>8</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>9</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires the Exchange to give the Commission written notice of the Exchange's intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

<sup>10</sup> See *supra* notes 3 and 4.

Commission designates the proposal operative upon filing.<sup>11</sup>

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

##### *Electronic Comments*

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NYSEAmex-2010-120 on the subject line.

##### *Paper Comments*

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE., Washington, DC 20549-1090.

All submissions should refer to File Number SR-NYSEAmex-2010-120. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for Web site viewing and printing in the Commission's Public Reference Room, 100 F Street, NE., Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m. Copies of the filing also will be available for inspection and

copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NYSEAmex-2010-120 and should be submitted on or before January 11, 2011.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>12</sup>

**Florence E. Harmon,**

*Deputy Secretary.*

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**BILLING CODE 8011-01-P**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-63546; File No. SR-CBOE-2010-106]

### Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Proposed Rule Change, as Modified by Amendment No. 1, To Amend Margin Requirements for Credit Options

December 15, 2010.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on December 1, 2010, the Chicago Board Options Exchange, Incorporated ("Exchange" or "CBOE") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I and II, below, which Items have been substantially prepared by the Exchange. On December 14, 2010, the Exchange filed Amendment No. 1 to the proposed rule change.<sup>3</sup> The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

#### I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

CBOE proposes to amend Rule 12.3(l), *Margin Requirements*, to make CBOE's margin requirements for Credit Options consistent with Financial Industry Regulatory Authority ("FINRA") Rule 4240, *Margin Requirements for Credit Default Swaps*. CBOE's Credit Options

<sup>12</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> Amendment No. 1 to SR-CBOE-2010-106 replaced and superseded the original rule filing in its entirety.

(i.e., Credit Default Options and Credit Default Basket Options) are analogous to credit default swaps.<sup>4</sup> The text of the rule proposal is available on the Exchange's Web site (<http://www.cboe.org/legal>), at the Exchange's Office of the Secretary and at the Commission.

#### II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of those statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

##### A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

###### 1. Purpose

This filing proposes to amend Rule 12.3(l), *Margin Requirements*, to make CBOE's margin requirements for Credit Options consistent with FINRA Rule 4240, *Margin Requirements for Credit Default Swaps*. CBOE's Credit Options consist of two variations—Credit Default Options and Credit Default Basket Options. Credit Default Options and Credit Default Basket Options are also referred to as "Credit Event Binary Options." Effectively, both contracts operate in the same manner as credit default swap contracts.

Amendment No. 1 replaces the original filing in its entirety. The purpose of Amendment No. 1 is to restate the original proposal on a pilot basis.

As with a credit default swap contract, the buyer of a Credit Option contract is buying protection from the seller of the Credit Option. This protection is in the form of a monetary payment from the Credit Option seller to the Credit Option buyer in the event that the issuer of debt securities, or Reference Entity, specified as underlying the Credit Option contract has a Credit Event (e.g., declares bankruptcy), consequently defaulting on the payment of principal and interest on its debt securities. When a Credit Option buyer and seller initially open

<sup>4</sup> CBOE's Credit Default Options and Credit Default Basket Options are also referred to as Credit Event Binary Options.

<sup>11</sup> For purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).